FARMERS' NEWSLETTER
Soybeans

May 80/S-12

Now that you've made your planting decisions, watch market developments to determine if any last minute changes are needed. As you know, you can still switch late acreage to soybeans if necessary. But that might not be such a good idea if you have other options. Soybean prices are weak and there could be another big crop coming this summer.

This newsletter can help you get the soybean market outlook into perspective. It gives the current supply, demand, and price outlook, taking into account April planting intentions.

Acreage Near Record

Farmers reported in early April that they intend to plant 93 million acres to oilseed crops in 1980, 1 percent less than last year.

It looks like 71.3 million acres will be planted to soybeans, down less than 1 percent from 1979. Given the uncertainties about actual plantings and yields this early in the season, a crop of 1.9 to 2.2 billion bushels has been projected. The 1979 output was 2.3 billion bushels.

A prospective drop in sunflower acreage will more than offset the increased acres farmers indicated they'd plant in cotton. Peanut and flaxseed acreage may be down slightly.

If growing conditions are normal, oilseed supplies may well be record large, boosted by a heavy carryover of soybeans, sunflowers, and cottonseed into next fall.

PROSPECTIVE OILSEED ACREAGE DOWN SLIGHTLY

	1978	1979[1]	1980[2]	Change 1980/79
	Million acres			*Percent*
Soybeans	64.3	71.6	71.3	-0.4
Cottonseed	13.4	14.0	14.8	+5.7
Sunflowerseed[3]	2.8	5.5	4.4	-20.0
Peanuts	1.5	1.5	1.5	0
Flaxseed	0.9	1.1	1.0	-9.0
Total	82.9	93.7	93.0	-0.7

[1] Preliminary. [2] April 1 planting intentions. [3] Four States.

Less Double-Cropping Likely

Another factor affecting planted acreage is the extent to which farmers double crop soybeans. This year there may be less double cropping after wheat, mainly because of lower soybean prices. But this should have very little effect on final production. Last year, farmers double-cropped about 6 percent of the soybean area; in 1976 about 10 percent.

Prices Reduce Plantings?

Falling prices are one factor behind this year's prospective lower soybean acreage. Soybean prices have declined relative to prices for feed grains, wheat, and cotton. The break-even soybean/corn price ratio is generally

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Principal contributor to this issue:
George W. Kromer (202) 447-8444

The next soybean newsletter is scheduled for late July.

PRICE RATIO FAVORS CORN...

	Cash price (Chicago)	1980 futures prices (Chicago Board of Trade) May	July	New crop[2]
Soybeans $/bushel	5.93	6.02	6.16	6.48
Corn $/bushel	2.68	2.69	2.77	2.94
Price ratio	2.2	2.2	2.2	2.2

...AND COTTON[1]

	Cash price	1980 futures prices (CBOT and CTN) May	July	New crop[2]
Soybeans $/bushel	5.93	6.02	6.16	6.48
Cotton $/pound	.865	([3])	.850	.767
Price ratio	6.9	–	7.2	8.4

[1] All prices as of May 13, 1980. [2] November soybeans and December corn and cotton. [3] Off Board.

considered to be 2.5 to 1; that is, a soybean price two and one-half times that of corn. For soybeans/cotton, the ratio is 10 to 1. However, break-even ratios vary from farm to farm, and with prices, yields, and costs.

For soybeans and corn, the cash price ratio in early May, at 2.2 to 1, clearly favored corn. The new crop price ratio (based on November 1980 soybean futures versus December corn) in early May was also 2.2 to 1. Last May, the price ratio was about 2.7 to 1 and soybean plantings shot up.

Cotton also looks better than soybeans: The soybean/cotton price ratio in early May was 7 to 1. Futures prices also favor cotton over soybeans, although not as strongly.

Soybean Prices Slip

Despite a record crush and export movement, soybean prices have dropped sharply this season, largely due to the heavy oilseed supply relative to demand.

Farm prices fell from around $7 per bushel last August to $5.50 in April, $1.50 below April 1979. Prices probably will average near $6 this spring and summer, sharply below the $7.20 average during May-August 1979.

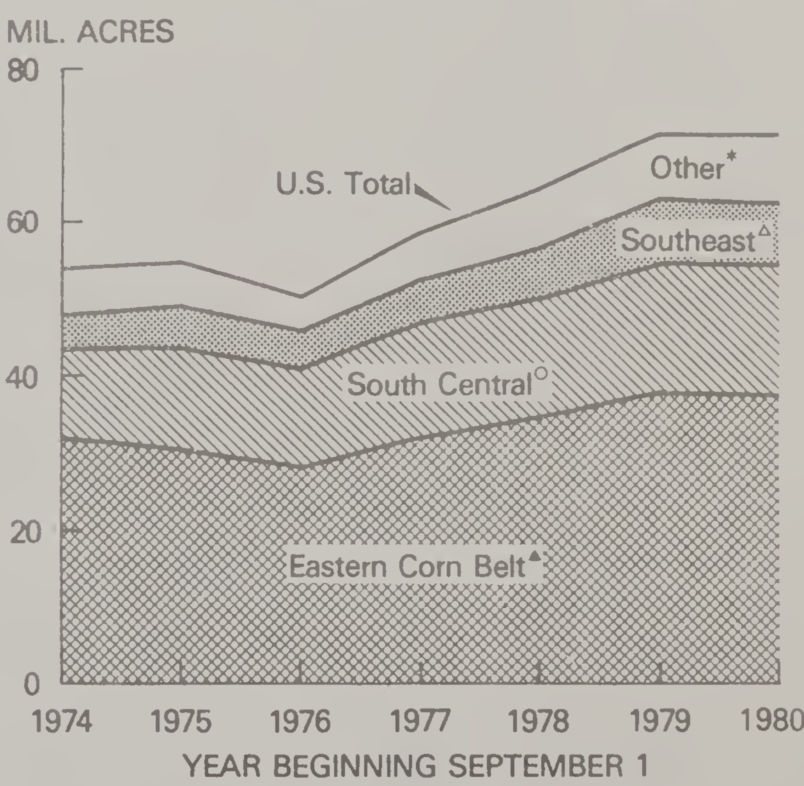
Record world oilseed supplies, expanding soybean output in South America, suspension of soybean and product sales to the USSR, and increased costs to farmers, processors, and other industry members of carrying large stocks have all been bearish factors. Also, high interest rates and tight credit have forced many of you to sell soybeans to get cash for spring planting.

Soybean Stocks Accumulate

For the current marketing year, the supply is a record 2.44 billion bushels, 20 percent more than last season. Total use is expanding only 10 percent. So you can expect to see a large carryover next September of about 400 million bushels, up from last year's 174 million. Even so, this carryover will only equal about a 2-1/2 month average requirement.

U.S. soybean crushings during September-March hit another record--686 million bushels, about 13 percent more

SOYBEAN PLANTINGS MAY DROP SLIGHTLY



* Western Corn Belt States and all other.
△ North Carolina, South Carolina, Georgia and Alabama.
○ Arkansas, Louisiana, Mississippi, Kentucky and Tennessee.
▲ Illinois, Indiana, Iowa, Missouri, Minnesota and Ohio.
1980 Based on April 1 Planting Intentions.

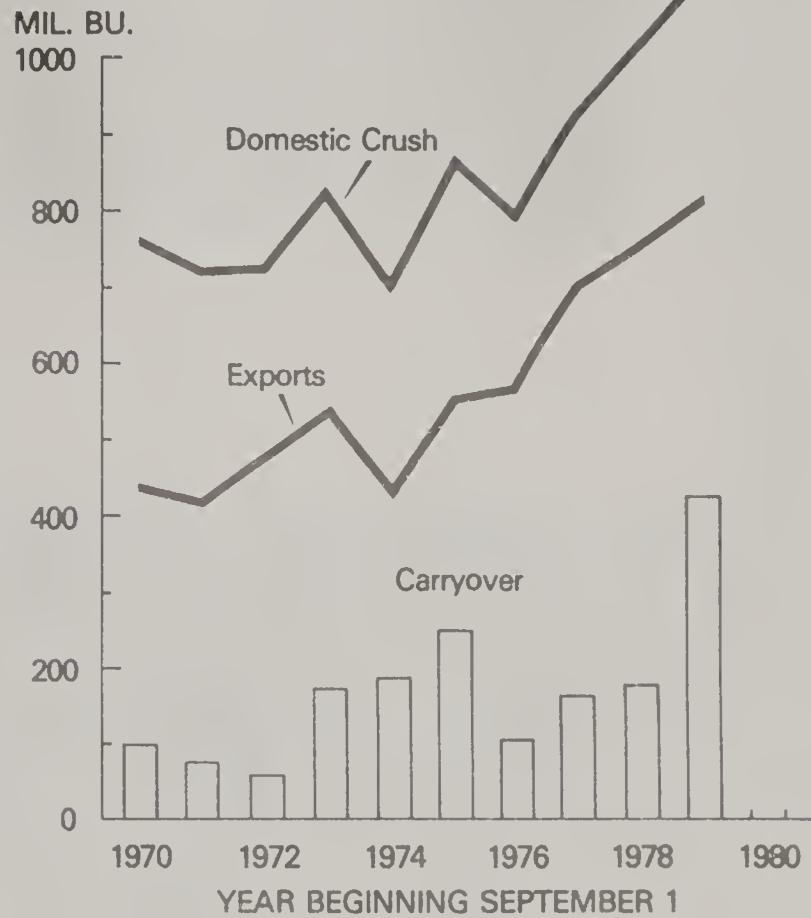
than in 1978/79. Strong meal demand and favorable processing margins early in the season encouraged the record crush, while spot margins this spring have collapsed. Soybean exports are also running at a new high. Through late April, soybeans inspected for export totaled 626 million bushels, versus 576 million a year earlier.

U.S. soybean stocks on April 1 totaled 1.2 billion bushels, compared with 0.9 billion a year ago. About half were stored on farms, putting additional cost pressure on farmers. Moreover, soybean producers also control a portion of beans stored off farms. With high storage costs, processors and exporters are holding inventories to working minimums.

South American Beans Headed for Record

Exports have been very important in accommodating our rising U.S. soybean output in recent years. Continued export growth is vital. This year, it may be stymied. Here's why: South American soybean production appears headed for a record. It could exceed 20 million metric tons, about 5 million tons or one-third above 1979.

SOYBEAN CARRYOVER RECORD HIGH*



* Excludes planting seed and soybeans used as feed.

SOYBEAN STOCKS AT RECORD LEVEL

Year beginning September 1	1977/78	1978/79	1979/80[1]
	Million bushels		
Beginning stocks	103	161	174
Production	1,762	1,870	2,268
Total supply	1,865	2,031	2,442
Crushings	927	1,018	1,120
Exports	700	753	825
Seed, etc.	77	76	80
Total use	1,704	1,857	2,042
Ending stocks	161	174	400
	Dollars per bushel		
Farm price	5.88	6.66	6.10
Loan rate	3.50	4.50	4.50

[1] Projected.

Brazilian production increased steadily from about 8 million tons in 1974 to over 12 million tons in 1977. Brazil's 1980 soybean crop, forecast at 15.6 million tons, is more than 50 percent above last year and follows two successive seasons of poor growing weather which reduced the crop to 10 million tons each year.

Brazilian policy is to crush soybeans at home and export the products--mainly meal. Brazil has expanded processing capacity and some trade estimates place it as high as 19 million tons. So more and more of the soybean crop is crushed while exports decline. In 1974 about one-half of Brazil's production was crushed and exports took 40 percent. In 1980, they'll crush about 80 percent of the crop and export around 10 percent as beans.

Argentina, the second largest soybean producer in South America, is still the

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country to watch as it vies with the United States for the West European soybean market. In sharp contrast to Brazil, Argentina is producing soybeans for the export market.

Argentine soybean output this year is estimated slightly below 4 million tons, or about equal the 1979 record. Although the area seeded this year was up a tenth, dry weather reduced yield prospects.

Domestic crushings have remained relatively steady over the past 5 years at around 0.6 million tons, while soybean exports have increased from only 0.1 million tons in 1976 to a projected 3 million.

Pricing Options

In view of the record supplies in the United States and South America and another big U.S. crop coming up later this year, the price outlook for old-crop soybeans this spring and summer is not too bright. Here are some of your marketing options:

- Sell now for cash if you think prices have peaked.

- Continue storing and sell later if you think soybean prices will go high enough to more than cover the higher storage costs.

- Consider forward selling your soybeans since futures prices are better than cash prices. You may want to forward contract all or part of your remaining 1979 crop since soybean prices are not expected to strengthen much.

- Sell for cash and buy futures if you think market prices will strengthen later. This is the riskiest of your options.

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June 1	Farmers' Prices
June 4	Weather & Crops
June 5	Fertilizer Situation
June 6,7,8	Farm News Special
June 10	Agricultural Outlook
June 11	Crop Production
June 12	Supply & Demand Analysis
June 18	Farm News Special
June 23	Supply & Demand Analysis
June 24	World Agricultural Situation
June 26	Weather & Crops
June 30	Farmers' Prices

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